

EXHIBIT 17

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

-----X
SHORELINE AVIATION, INC.,

Case No.: 2:20-cv-02161-JMA-SIL

Plaintiff,

-against-

**DECLARATION OF
RICHARD A. GLASSMAN**

CYNTHIA L. HERBST, SOUND AIRCRAFT
FLIGHT ENTERPRISES, INC., RYAN A. PILLA,
BLADE URBAN AIR MOBILITY, INC. a/k/a
FLY BLADE, INC., MELISSA TOMKIEL, and
ROBERT S. WIESENTHAL,

Defendants.

-----X

I, Richard A. Glassman, declare under penalty of perjury:

1. I am a resident of the State of Connecticut, in the County of Middlesex.
2. I make this declaration based upon my personal knowledge of the facts and

events stated herein.

3. I am an attorney with the firm Schatz Brown Glassman LLP in West
Hartford, Connecticut, specializing in the establishment of Employee Stock Ownership
Plans ("ESOP").

4. In or around 2016, Shoreline Aviation, Inc. ("Shoreline") engaged me and
my firm in connection with Shoreline's plans to establish an ESOP.

5. An ESOP is a type of qualified employee benefit plan that permits
employees to become beneficial owners of a company's common stock whereby the
ESOP provides retirement benefits to employees based upon the value of the company's
shares.

6. In an ESOP, a company sets up a trust into which a shareholder sells shares of the company's stock, the company sells or contributes shares of the company's stock, or the company contributes cash to buy some or all of the company's shares. Company contributions of cash or shares to the trust are tax-deductible, within certain limits.

7. At the time of the sale of shares, private companies must have an independent valuation to determine the value of their shares, and then valuations are required annually thereafter.

8. ESOPs provide a number of significant tax benefits, including that company contributions of stock are tax-deductible, company cash contributions are deductible, and shareholders selling stock of a C corporation, such as Shoreline, to an ESOP can defer, potentially forever, the capital tax on the sale of the shares.

9. Over the course of the ten years that Shoreline planned to finance the ESOP, Shoreline would have realized approximately \$5,000,000 in tax benefits.

10. Once the decision to move forward with the ESOP was made by Shoreline, Duane Tolander, an experienced ESOP trustee, was appointed as the independent ESOP trustee.

11. In or around June 2016, the ESOP process was moving forward and John Murphy at Atlantic Management Company was retained by the trustee to conduct the initial valuation.

12. While I was in the process of working with Shoreline to put together an ESOP, Hyannis Air Service, Inc. d/b/a Cape Air ("Cape Air") approached Shoreline to discuss a potential sale of Shoreline to Cape Air.

13. Initially, the parties contemplated a stock sale (merger) whereby Cape Air, after the adoption of the ESOP at Shoreline, would purchase Shoreline's stock with Shoreline's ESOP transaction incorporated into the sale. Annexed hereto as Exhibit A is a true and correct copy of an April 9, 2018 email from me to Paul Eklund, counsel for Cape Air, discussing the potential structure for the transaction.

14. The stock sale (merger), incorporating Shoreline's ESOP, would have allowed Shoreline to sell its entire business to Cape Air in a tax-free merger, and Shoreline would have avoided having to pay income and/or capital gains taxes on the transaction.

15. I therefore recommended that the best vehicle for the transaction would be a statutory merger in which Cape Air would acquire all of Shoreline's stock.

16. Because Shoreline was a C corporation, if it sold its assets, Shoreline and its shareholders would be subject to double taxation, at the corporate and individual levels.

17. In July 2018, Shoreline was aiming to establish its ESOP as soon as practicable and then planned for a closing for the Cape Air transaction approximately 30 days later.

18. In August 2018, Cynthia L. Herbst ("Herbst") and Sound Aircraft Flight Enterprises, Inc. ("SAFE"), Shoreline's former booking agent, sued Shoreline and John Kelly, Shoreline's president, alleging more than \$2,000,000 in damages.

19. The ESOP trustee and I became aware of the suit in or around early September 2018 at a meeting at the company.

20. My understanding is that as a direct result of the suit, the structure of the transaction was changed to an asset sale to avoid Cape Air having to assume Shoreline's potential liability from the suit.

21. The filing of Herbst and SAFE's lawsuit prevented Shoreline from implementing the ESOP, resulting in Shoreline's inability to take advantage of the tax benefits provided by an ESOP transaction.

22. When the ESOP trustee learned about the suit, he and his financial advisor, John Murphy at Atlantic Management, began to have concerns about the potential liability for Shoreline, and they did not believe that they could proceed with the valuation process until they had a better understanding of the lawsuit's implications and possible financial impact on Shoreline.

23. Specifically, the ESOP trustee was concerned that the lawsuit would have a material, negative financial impact on Shoreline, and this prevented the valuation of the company from being completed with any certainty. As a result, the ESOP transaction was terminated.

24. Annexed hereto as Exhibit B is a true and correct copy of an October 15, 2018 email from Kelly to me stating Cape Air's request that the transaction close within 60 to 90 days. The email also states, in relevant part, that Cape Air is "aware of the pending litigation and the subsequent delay in getting the ESOP transaction concluded. They have asked if the company was willing to go ahead without the ESOP in place, or maybe even consider an Asset Purchase as opposed to a Stock Purchase. The company's preference was to get the ESOP done as quickly as possible and close as previously envisioned."

25. Upon information and belief, James Nugent, Shoreline's corporate attorney handling the potential sale to Cape Air, attempted to save the original structure of the deal by suggesting that Shoreline create an escrow out of a portion of the sale proceeds based on a fair estimate of the possible range of damages in the suit and agree to indemnify the ESOP and/or Cape Air to cover that liability. Annexed hereto as Exhibit C is a true and correct copy of an October 25, 2018 email from Kelly to me laying out this option.

26. Because Cape Air wanted to close the deal by January 2019 at the latest, there was not enough time to complete the ESOP transaction in time for the Cape Air deal, and Shoreline ultimately had to abandon the ESOP and could not incorporate it into the deal.

27. Annexed hereto as Exhibit D is a true and correct copy of a November 20, 2018 email from Kelly to me explaining that the ESOP would not be a part of the Cape Air deal, stating "Cape Air has made it clear that they have little confidence in our ability to get the ESOP completed in time to meet their external contractual requirements to enter into the seaplane business. ... I think that there is not enough time left to complete our necessary steps and go through the alignment with Cape Air's ESOP and still meet their timeline to close."

28. Ultimately, the Cape Air transaction was completed without the Shoreline ESOP in place, and an asset sale was concluded instead of the planned stock sale (merger). Upon information and belief, this resulted in materially worse tax implications for both Shoreline and its shareholders.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on NOVEMBER 30, 2021

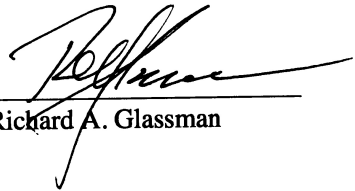

Richard A. Glassman

EXHIBIT A

10/5/21, 2:59 PM

Gmail - Re: [External] Shoreline Aviation, Inc.



John Kelly <jkelly208@gmail.com>

Re: [External] Shoreline Aviation, Inc.

3 messages

Richard Glassman <rglassman@esopplus.com>

To: "Paul R. Eklund" <PEklund@nutter.com>

Cc: Crescent Moran Chasteen <CMChasteen@nutter.com>, Mike Migliore <Mike.Migliore@capeair.com>, John Kelly <jkelly208@gmail.com>, Camille Murphy <camille@murphycocpa.com>

Paul,

In response to your question, one way that it can be structured is as follows:

1. After the Shoreline ESOP is created, the Kellys sell 30% of their shares to the newly-formed Shoreline ESOP.
2. The Kellys take back a note from the ESOP (low interest rate (AFR?), 15-year term +/-) for 100% of the value of the shares sold.
3. The Kellys assign this note to Shoreline in exchange for a new note from Shoreline for the same principal amount, but with a higher interest rate, shorter term, warrants?, etc.
4. Hyannis Air merges with Shoreline and assumes all of its liabilities including the note(s) to the Kellys.
5. The companies and the ESOPs are merged and shares of Hyannis are exchanged for Shoreline shares.
6. The Kellys now hold Hyannis Shares (exchanged for their Shoreline shares in the merger) and the note(s) from Hyannis (assumed from Shoreline.)
7. The Kellys make a separate agreement with Hyannis regarding redeeming their Hyannis shares and/or prepaying the note(s).

There may, of course, be other ways of structuring a transaction, but the above protects the Section 1042 transaction tax benefits for the Kellys. Importantly, please understand, I do not know what is acceptable to the Kellys with respect to their continued holding shares of and/or a note(s) from Hyannis. You will need to speak with the Kellys regarding this part of the transaction.

Please do not hesitate to contact me with any questions or comments.

Regards,

Rich

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860.916.3287 (cell)
rglassman@esopplus.com

On Apr 9, 2018, at 9:30 AM, Paul R. Eklund <PEklund@nutter.com> wrote:

Rich – Mike Migliore at Hyannis Air asked if you would be able to outline how you would expect the cash flow to work with a \$5 million purchase price of Hyannis Air, with Shoreline having a 30% (\$1.5 million) ESOP that merges into Hyannis Air's ESOP. Many thanks.

Best regards, Paul



Paul R. Eklund
Nutter McClennen & Fish LLP
Direct / 617-439-2303

From: Richard Glassman [<mailto:rglassman@esopplus.com>]

Sent: Friday, March 02, 2018 3:19 PM

To: Paul R. Eklund <PEklund@nutter.com>

Cc: Crescent Moran Chasteen <CMChasteen@nutter.com>; Mike Migliore <Mike.Migliore@capeair.com>

Subject: Re: [External] Shoreline Aviation, Inc.

Paul,

Please call me on my cell number....860-916.3287.

Thank you,

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10/5/21, 2:59 PM

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rglassman@esopplus.com

On Mar 2, 2018, at 9:22 AM, Paul R. Eklund <PEklund@nutter.com> wrote:

Rich – Crescent and I will call you at 9:30 on Monday. Looking forward to speaking with you. - Paul



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Paul,

I have time on Friday (tomorrow) from 9:00 until about 10:45, then any time after 2:30.

On Monday, I have time before 10:00 am.

Hopefully one of these time slots will work.

Looking forward to speaking with you.

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Richard – We represent Hyannis Air Service, Inc. (known as Cape Air) in its potential acquisition by merger of Shoreline Aviation, Inc. We understand from Mike Migliore, the CFO of Cape Air, that John Kelly is thinking of setting up an ESOP for Shoreline before the merger occurs. Hyannis Air has its own ESOP.

My colleague, Crescent Chasteen, and I would like the opportunity to discuss with you the proposed structure and transaction, so that everyone on the same page. Would you please let me know some times for you that are convenient to have a phone conversation over the next several days?

Many thanks.

I look forward to speaking with you. - Paul



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Wed, Apr 18, 2018 at 11:01 AM

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SAI005188

SAI007763

10/5/21, 2:59 PM

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Thanks in advance.

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[Quoted text hidden]

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I believe that the "missing concept" is that the value of the ESOP equity is relatively small immediately after the formation of an ESOP at Shoreline. The ESOP will own shares, but the shares will Therefore the ESOP will owe debt equal to about 95% or more of the value of the shares. The reason I say 95% (or so) is that we will need to provide some value to the Trustee to enter into this may be.

So after paying off that debt, the value of the ESOP shares that it will own on Day 1 and that will be allocated to participants will be relatively small — certainly not anywhere near \$1.5 million, i.e. 1 paid by your client will be a relatively small amount — the vast majority of the \$5MM going to the pre-ESOP shareholders of Shoreline.

There are a number of structural ways to accomplish this, but we want to finish the valuation process and some structuring at Shoreline before we spend more time on the specific structure of the and the Plans. In essence, though, we understand that the Buyer will only be paying \$5MM for the entire company (including the then current value of the ESOP-owned shares.)

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EXHIBIT B

From: John Kelly jkelly@shorelineaviation.com
Subject: ESOP
Date: October 15, 2018 at 7:51 AM
To: Richard Glassman rglassman@esopplus.com

Good morning Richard,

Cape Air has finally resolved their issues with the City of Boston concerning their seaplane base and services there, and have indicated that they would like to close our deal within 60 to 90 days. They are aware of the pending litigation and the subsequent delay in getting the ESOP concluded. They have asked if we are willing to go ahead without the ESOP in place, or maybe even consider an Asset Purchase as opposed to a Stock Purchase.

Our preference would be to get the ESOP done as quickly as possible and close as previously envisioned.

Perhaps you can reach out to the Attorney handling the lawsuit and see if he can give you some assurances as to the actual liability involved. He is filing for a dismissal, but I'm not sure what the timing on that will be.

His name is Alex Kriegsman and his contact information is 631-899-4826 or alex@kriegsmanpc.com.

Best Regards,

--

John D. Kelly
President
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office: 203-267-1818
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EXHIBIT C

From: John Kelly jkelly@shorelineaviation.com
Subject: Update
Date: October 25, 2018 at 8:45 AM
To: Richard Glassman rglassman@esopplus.com

Good morning Richard,

[REDACTED]

The attorney handling the prospective sale of the company (James Nugent, from Harlow, Adams and Friedman, PC, Milford, CT) has suggested that we create an escrow out of a portion of the sale proceeds based on a fair estimate of the possible range of damages in the lawsuit. We would agree to indemnify the ESOP and/or the buyer and use money from the fund and/or from future payments owed to cover that liability, which would allow both the ESOP and the stock sale to proceed. Do you have any thoughts on this?

We will be back in CT on November 15th, available on the 16th if you need us for anything.

Let me know if there are any new developments from the Trustee.

Best Regards,

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EXHIBIT D

From: John Kelly jkelly@shorelineaviation.com
Subject: Re: ESOP
Date: November 20, 2018 at 3:03 PM
To: Richard Glassman rglassman@esopplus.com

Good afternoon Richard,

Unfortunately, I think that ship has already sailed. Cape Air has made it clear they have little confidence in our ability to get the ESOP completed in time to meet their external contractual requirements to enter into the seaplane business. I completely understand their concerns. They are pushing for the earliest possible closing in January, so as to have the two companies operations aligned and operational by April 1st. When we tried to get this moving in October, and wanted to understand what items and documents were still outstanding, we received the same six page pro forma check list that we were sent at the beginning of the project, much of which had already been provided. Mr. Murphy's more concise request this morning would have been helpful, but I think that there is not enough time left to complete our necessary steps and go through the alignment with Cape Air's ESOP and still meet their timeline to close.

If for some reason the Cape Air deal doesn't work out, we would certainly revisit the ESOP.

Best Regards,

John Kelly
Shoreline Aviation

On Tue, Nov 20, 2018 at 1:52 PM Richard Glassman <rglassman@esopplus.com> wrote:

John,

I trust that you and Andrea are now back in the States. If we are to get the ESOP back in gear and ready for the Cape Air transaction, we should get together early next week to discuss the appropriate next steps and overall timing.

Thoughts?

Rich

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